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Savings In Transportation Costs Through Better Selection Of Shipping Depots B-114807

General Services Administration

**UNITED STATES
GENERAL ACCOUNTING OFFICE**

OCT. 30, 1972

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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS
DIVISION

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B-114807

No 6

Dear Mr. Sampson:

This is our report on savings in transportation costs through better selection of shipping depots. The significant contents of the report are summarized in the digest which is bound in the report.

We call your attention to our recommendation that every effort be made to expedite implementation of the system now being developed by the General Services Administration which should correct the problems identified during our review. We are recommending also that interim measures be adopted until the new system is operational.

Copies of this report are being sent today to the Director, Office of Management and Budget.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "J. K. Fasick".

J. K. Fasick
Director

The Honorable Arthur F. Sampson
Acting Administrator, General Services Administration

33-114807-6

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ABBREVIATIONS

| | |
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| GAO | General Accounting Office |
| GSA | General Services Administration |
| FSS | Federal Supply Service |

*GENERAL ACCOUNTING OFFICE
REPORT TO THE
ADMINISTRATOR OF GENERAL SERVICES*

*SAVINGS IN TRANSPORTATION COSTS
THROUGH BETTER SELECTION OF
SHIPPING DEPOTS*

General Services Administration 17
B-114807

D I G E S T

WHY THE REVIEW WAS MADE

During fiscal year 1970, the General Services Administration (GSA) spent about \$28 million to ship approximately 1.75 billion pounds of supplies from its supply depots to civil agencies and military installations located throughout the United States. (See p. 4.)

The General Accounting Office (GAO) wanted to find out if GSA's customers were being supplied from the depot which was cost-favorable from the standpoint of transportation costs.

FINDINGS AND CONCLUSIONS

GAO estimated that GSA's cost of transportation could have been reduced by about \$700,000 during fiscal year 1970 if 73.6 million pounds of the supplies had been furnished from depots affording the lowest transportation costs, regardless of geographical regional boundaries. (See p. 4.)

GSA policy required all customers within the geographic boundaries of a region to submit their supply requisitions to that region. If

available, these supplies were shipped from a depot in that region, even though it would have been less costly from a transportation standpoint to ship from another depot. (See p. 4.)

Officials of GSA agreed with GAO's observations regarding the use of non-rate-favorable depots and they have submitted to GAO a plan to develop a new supply system with features designed to correct the problems discussed in this report. (See p. 5.)

RECOMMENDATIONS OR SUGGESTIONS

GAO believes the supply system being developed by GSA will minimize the additional transportation costs being incurred because transportation costs will now be considered in selecting the depots from which shipments will be made. (See p. 7.)

GAO recommends that every effort be made to expedite implementation of the new system and that meanwhile interim measures be adopted to effect the savings in transportation costs discussed in this report (See p. 7.)

OCT. 30, 1972

CHAPTER 1

INTRODUCTION

The General Services Administration (GSA) is responsible for providing an efficient and economical system for furnishing common-use supplies and equipment to civil agencies and to the military services. Within GSA, the Federal Supply Service (FSS) manages a nationwide network of distribution facilities for the storage and distribution of supplies.

GSA's operations are divided into 10 geographic regions, each headed by a Regional Administrator who is responsible for implementing GSA's programs. FSS operates one or more general supply depots in each region and also specialized depots which store only certain items in selected regions. The general supply depots stock a varied number and type of items based on, among other factors, the needs of the customer agencies in the region.

Present GSA policy requires all customers within the geographic boundaries of a region to submit their supply requisitions to that region. If available, these supplies are then shipped from a depot in that region, even though it could be less costly from a transportation standpoint to ship from another depot. When the primary regional depot cannot fill a requisition, another region is asked to fill the order.

CHAPTER 2

SAVINGS IN TRANSPORTATION COSTS THROUGH

BETTER SELECTION OF SHIPPING DEPOTS

During fiscal year 1970, GSA spent about \$28 million to ship approximately 1.75 billion pounds of supplies from its depots to civil agencies and military installations located throughout the United States. We estimated that this cost of transportation could have been reduced by about \$700,000 if 73.6 million pounds of the supplies had been furnished from depots affording the lowest transportation costs, regardless of regional boundaries.

As previously stated, it is GSA's policy that all customers within the geographical boundaries of a region submit their requisitions to that region even though it could be less costly from a transportation standpoint to ship from a depot outside of that region. For example, Federal agencies and military installations in the northern part of North Carolina are presently being supplied from depots in Georgia. This area, however, could be supplied by a depot located in Norfolk, Virginia, at considerable savings in transportation costs. During fiscal year 1970, 24.8 million pounds of supplies were shipped to this area from Georgia depots. If these supplies had been shipped from Norfolk, GSA could have saved approximately \$182,000 in transportation costs.

Another example involved 8.3 million pounds of supplies shipped during fiscal year 1970 into western New York, Pennsylvania, and West Virginia from the Shelby, Ohio, depot. If New Jersey and Virginia depots had been used, GSA could have reduced its transportation costs by about \$60,000.

We recognize that all depots do not stock all items and it may not be economically feasible to provide certain depots with the full capability of supplying all customers in their rate-favorable area. Under current GSA policy, however, the rate-favorable depot is not provided the first opportunity to service customer agencies located within the boundaries of another region.

The map on the next page shows the areas of potential savings and the additional transportation costs incurred in each such area as a result of GSA's boundary constraints.

In an action unrelated to this review, GSA changed the boundaries of many of its regions in July 1971 to conform with the newly established Federal regional pattern system. The boundary changes did not alleviate the problems discussed in this report but did, in some instances, change the location of areas that could be better serviced by depots in adjoining regions.

AGENCY ACTIONS

In general, officials of GSA agreed with our observations regarding the use of non-rate-favorable depots and they have submitted to us a plan to develop a new supply system with features designed to correct the problems discussed in this report. The plan calls for installation by late 1974 of national item focal points having knowledge of total system assets and the ability to pinpoint consignee locations so that shipments from distribution facilities can be made at best transportation advantage, regardless of regional boundaries. The 10 regional organizations will continue to exist and each will be assigned national inventory management responsibility for a commodity or number of commodities. The region will then be responsible for nationwide management of those items in all distribution facilities.

CHAPTER 3

CONCLUSIONS AND RECOMMENDATIONS

The boundary constraints GSA imposed on its supply depots resulted in increased transportation costs. We believe, however, the supply system being developed by FSS will minimize the additional transportation costs being incurred because transportation costs will now be considered in selecting the depots from which shipments will be made.

We recommend that every effort be made to expedite implementation of the new system. If the 1974 date cannot be improved, we recommend that interim measures be adopted to effect the savings in transportation costs discussed in this report. These measures should include changing the servicing depots of some of the larger civil and military customers which can be readily identified as now being supplied by other than rate-favorable depots.

CHAPTER 4

SCOPE OF REVIEW

Most of our work on this review was done at the GSA Central Office in Washington, D.C., and at the GSA regional office in Chicago, Illinois. Although data was obtained from all GSA regions, the actual analysis of this data was done in Chicago.

We analyzed GSA tonnage records on magnetic tape. These tapes showed the weight shipped from specific depots to various city/State locations during fiscal year 1970 for all 10 GSA regions. From these records we determined the volume of non-rate-favorable shipments. Our analysis and computation of additional transportation costs did not include any city/State location unless the total shipments received in fiscal year 1970 exceeded 10,000 pounds.

Copies of this report are available from the U. S. General Accounting Office, Room 6417, 441 G Street, N W., Washington, D.C., 20548.

Copies are provided without charge to Members of Congress, congressional committee staff members, Government officials, members of the press, college libraries, faculty members and students. The price to the general public is \$1.00 a copy. Orders should be accompanied by cash or check.